

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6842

BILL NUMBER: SB 198

NOTE PREPARED: Jan 30, 2007

BILL AMENDED:

SUBJECT: Charges at State Mental Health Institutions.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR: Rep. C. Brown

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill changes the way charges are set at state mental health institutions. The bill repeals provisions concerning the per capita cost of treatment at state mental health institutions and the per capita cost of outpatient services.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) This bill eliminates the restriction that requires state mental health facilities to base their charges on certain per capita costs. The bill would allow for a charge structure that could reflect a patient acuity level, allowing patients that require more services or higher intensity services to be charged accordingly. Conversely, patients with less intensive care requirements could be charged less, rather than being required to pay on an average cost basis. The charge structure would not be limited to the cost, allowing for charges that might include incentives for meeting operational objectives or other management incentives. The fiscal impact of this bill would be dependent upon administrative actions taken to annually set patient charges at each institution.

In addition, the Family and Social Services Administration (FSSA) reports that the bill will allow the FSSA to bill Medicare and other payers for prescription drugs based on each patient's drug usage. In addition, the new Medicare drug benefit (Part D), which began on January 1, 2006, provides a new source of reimbursement to state facilities for prescription drugs. Under the bill, the FSSA estimates that it will increase reimbursement by approximately \$3 M annually.

Background: Each patient (guardian or parent) in a psychiatric hospital or a state school for the developmentally disabled is liable for payment of the cost of treatment and maintenance in an amount to be fixed by the Division of Mental Health and Addiction. The rate varies by institution, whether private pay, or Medicaid, and according to the patient's ability to pay.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Division of Mental Health and Addiction.

Local Agencies Affected:

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*, Legislative Services Agency, Office of Fiscal and Management Analysis, FY 2006; Willard Mays, Family and Social Services Administration.

Fiscal Analyst: Sarah Brooks, 317-232-9559.